



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ROBERTSON COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

March 31, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
SHERIFF'S SETTLEMENT - 2000 TAXES

March 31, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Robertson County Sheriff as of March 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected and distributed net taxes of \$447,837 to the taxing districts of Robertson County. The Sheriff is due immaterial refunds from each taxing district for overpayments to the districts. These refunds will become additional tax commissions due the Sheriff.

Debt Obligations:

None.

Report Comments:

Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bradley Gifford, Robertson County Judge/Executive
Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the Robertson County Sheriff's Settlement - 2000 Taxes as of March 31, 2001. This tax settlement is the responsibility of the Robertson County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Robertson County Sheriff's taxes charged, credited, and paid as of March 31, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Bradley Gifford, Robertson County Judge/Executive

Honorable Randy Insko, Robertson County Sheriff

Members of the Robertson County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of internal control.

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2001

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

March 31, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 49,409	\$ 64,849	\$ 160,579	\$ 54,427
Tangible Personal Property	858	1,247	3,009	1,731
Intangible Personal Property				1,870
Franchise Corporation	23,022	32,613	80,403	
Bank Franchises	3,121			
Penalties	461	607	1,502	607
Adjusted to Sheriff's Receipt	<u>(33)</u>	<u>(42)</u>	<u>(105)</u>	<u>(37)</u>
Gross Chargeable to Sheriff	<u>\$ 76,838</u>	<u>\$ 99,274</u>	<u>\$ 245,388</u>	<u>\$ 58,598</u>
<u>Credits</u>				
Exonerations	\$ 166	\$ 218	\$ 540	\$ 183
Discounts	666	793	1,962	677
Delinquents:				
Real Estate	990	1,299	3,216	1,090
Tangible Personal Property	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>
Total Credits	<u>\$ 1,823</u>	<u>\$ 2,311</u>	<u>\$ 5,721</u>	<u>\$ 1,953</u>
Net Tax Yield	\$ 75,015	\$ 96,963	\$ 239,667	\$ 56,645
Less: Commissions *	<u>3,763</u>	<u>4,121</u>	<u>9,587</u>	<u>2,982</u>
Net Taxes Due	\$ 71,252	\$ 92,842	\$ 230,080	\$ 53,663
Less:				
Taxes Paid	71,223	92,802	229,995	53,628
Refunds (Current and Prior Year)	<u>56</u>	<u>74</u>	<u>183</u>	<u>62</u>
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (27)</u>	<u>\$ (34)</u>	<u>\$ (98)</u>	<u>\$ (27)</u>

* and ** see page 4

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
March 31, 2001
(Continued)

* Commissions:

10% on	\$	20,000
4.25% on	\$	208,623
4% on	\$	239,667

** Special Taxing Districts:

Library District	\$	(14)
Health District		(11)
Extension District		(7)
Soil Conservation District		<u>(2)</u>

(Refund Due Sheriff)	\$	<u><u>(34)</u></u>
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The accompanying notes are an integral part of the financial statement.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

March 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of March 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
March 31, 2001
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 2000, through March 31, 2001.

Note 4. Sheriff's 10% Add-On Fee

The Robertson County Sheriff collected \$1,599 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
COMMENT AND RECOMMENDATION

March 31, 2001

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has few options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. Therefore the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition and a material weakness. We recommend the Sheriff to establish compensating controls.

Sheriff's Response:

No Response.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Robertson County Sheriff's Settlement - 2000 Taxes as of March 31, 2001, and have issued our report thereon dated November 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Robertson County Sheriff's Settlement -2000 Taxes as of March 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

Internal Control Over Financial Reporting (Continued)

The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2001

